

OSAKA SODA CO., LTD.
CONSOLIDATED FINANCIAL RESULTS
For the quarterly period ended September 30, 2019
(Prepared under Japan GAAP, unaudited)

Company name: OSAKA SODA CO., LTD. Stock Exchange Listing: Tokyo
 Securities code: 4046 URL: <http://www.osaka-soda.co.jp>
 Representative: Kenshi Terada, Representative Director, President & Chief Operating Officer
 For inquiry: Yoshihiro Ueda, Senior Executive Officer, General Manager, Administration Division
 (Telephone: +81-6-6110-1560)

Scheduled date of filing of quarterly securities report: November 7, 2019
 Scheduled date of commencement of dividend payment: December 5, 2019
 Supplementary materials prepared for the financial results: Yes
 Quarterly financial results briefings: Yes (for institutional investors and investment analysts)

1. Consolidated Financial Results

(Amounts are rounded down to the nearest million yen)

(1) Results of Operations

		Six Months Ended			
		September 30, 2019		September 30, 2018	
			Change *		Change *
Net sales	Millions of yen	53,026	0.7%	52,674	9.8%
Operating income	Millions of yen	4,952	14.7%	4,316	25.0%
Ordinary income	Millions of yen	5,190	5.8%	4,907	28.8%
Net income	Millions of yen	3,191	(4.9)%	3,355	34.5%
Comprehensive income	Millions of yen	2,660	(34.9)%	4,089	(1.3)%
Net income per share	Yen	136.24	-	147.77	-
Diluted net income per share	Yen	119.83	-	125.19	-

Note: Percent changes for six months are year-on-year comparisons.

(2) Financial Condition

		September 30, 2019	March 31, 2019
Total assets	Millions of yen	111,046	112,661
Net assets	Millions of yen	67,839	64,548
Equity	Millions of yen	67,839	64,548
Equity ratio	%	61.1	57.3

2. Dividends

	Year ending Mar. 31, 2020 (Forecast)	Year ending Mar. 31, 2020	Year ended Mar. 31, 2019
End of first quarter		—	—
End of second quarter		32.50	30.00
End of third quarter	—		—
End of fourth quarter	32.50		35.00
Full year	65.00		65.00

Note: Changes from the most recently published forecast of dividends: No

3. Earnings Forecast for the fiscal year ending March 31, 2020

		Full-year	
			Change*
Net sales	Millions of yen	105,000	(2.7)%
Operating income	Millions of yen	9,600	1.2%
Ordinary income	Millions of yen	10,200	1.5%
Net income	Millions of yen	6,800	0.1%
Earnings per share	Yen	294.51	-

Note: Changes from the most recently published forecast of financial results: No

* Notes

- (1) Changes in significant subsidiaries during the current quarterly period
(Changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of accounting methods used specifically for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatements of revisions: None
 - 1) Changes in accounting policies due to revisions of accounting standards, etc.: None
 - 2) Changes in accounting policies other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of revisions: None
- (4) Number of outstanding shares (common stock)
 - 1) Number of shares outstanding at the end of the period (including treasury shares)

As of September 30, 2019:	26,731,415	shares
As of March 31, 2019:	26,090,580	shares
 - 2) Number of treasury shares at the end of period

As of September 30, 2019:	3,002,442	shares
As of March 31, 2019:	3,001,554	shares
 - 3) Average number of shares outstanding in each period

Six months ended September 30, 2019	23,421,818	shares
Six months ended September 30, 2018	22,708,098	shares

* Review procedures

This financial results are not subject to the review procedures performed by certified public accountants or an audit firm.

* Earnings forecasts and other notes

This material contains forward-looking statements such as earnings forecast about OSAKA SODA CO., LTD. and its group companies (“Osaka Soda Group”). These forward-looking statements are based on the current assumptions and beliefs of Osaka Soda Group in light of the information currently available to it, and contain known and unknown risks, uncertainties and other factors. Osaka Soda Group therefore wishes to caution readers that actual results could be materially different from any future results.

DISCLAIMER:

This is an English translation of the original Japanese document and is prepared for reference. Should there be any inconsistency between the translation and the Japanese original, the latter shall prevail. This translation is subject to change without notice. Osaka Soda Group shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.

4. Qualitative Information

(1) Results of Operations

During the six months ended September 30, 2019, Japan's economy has continued its moderate recovery trend, with improvements in the employment and income situation, though the economic outlook remains uncertain due to prolonging of United States and China trade friction and China's economic slowdown.

Under the circumstances, in the second year of the Medium-Term Management Plan "BRIGHT - 2020", which was launched from the previous fiscal year, Osaka Soda Group continued to take specific measures based on three basic policies, "Creating new growth engines", "Establishing a profitable global business", and "Completing business structural reforms".

As a result, net sales were ¥53,026 million, an increase of 0.7% compared to the same period of fiscal 2018. Operating income was ¥4,952 million, an increase of 14.7% compared to the same period of fiscal 2018. Ordinary income was ¥5,190 million, an increase of 5.8% compared to the same period of fiscal 2018. Net income attributable to owners of parent was ¥3,191 million, a decrease of 4.9% compared to the same period of fiscal 2018, due to the loss on valuation of investment securities.

The following is a summary of reporting segments.

Basic Chemical Products

In **Chlor-Alkali**, net sales increased due to continued steady demand though a demand decrease in semiconductor and electronic materials.

In **Epichlorohydrin**, net sales increased due to continued steady domestic demand as well as volume increase of overseas sales caused by China's environmental and safety regulations.

As a result, Basic Chemical Products reported net sales of ¥24,643 million, up 1.4% compared to the same period of fiscal 2018.

Functional Chemical Products

In **Allyl Ethers**, net sales increased due to continued volume growth in China and European market for silane coupling agent.

In **Diallyl Phthalate Resin**, net sales increased due to continued steady growth in domestic and European market for UV Inks as well as volume growth for hot stamping.

In *Synthetic Rubber related products*, **Epichlorohydrin Rubber** was affected by a decline in automobile production in China and India. **Acrylic Rubber** was adopted by customers in domestic and overseas market by focusing on developing new customers and developing new applications.

In **Separation Media in Pharmaceutical Industry** (*Silica Gel for Liquid Chromatography*), demand in peptide drug purification sold to Europe and United States grew significantly and *Colum Chromatography* and *Analytical Instruments* maintained favorable export sales to Korea.

In **Active Pharmaceutical Ingredients (API) and their Intermediates**, net sales expanded due to sales in intermediate for treatment of infectious disease and anti-tuberculosis intermediate, export sales in vasodilator intermediate and imported sales in generic API. In addition, the supply of generic drug API utilizing high pharmacology activity facility made good progress.

In LCD-related products such as color resist, net sales declined due to volume decrease in LCD panels. In glass fiber, net sales declined due to volume decrease in domestic market for electronic materials.

As a result, Functional Chemical Products reported net sales of ¥20,610 million, down 2.3% compared to the same period of fiscal 2018.

Housing Facilities and Others

Net sales were ¥7,772 million, up 6.9% compared to the same period of fiscal 2018, due to continued favorable sales in life materials products.

(2) Financial Condition

Assets

Current assets were ¥68,333 million, an increase of 0.2% since March 31, 2019. The increase was due primarily to an increase of ¥2,640 million in *cash and deposits*, an increase of ¥370 million in *merchandise and finished goods*, an increase of ¥299 million in short term investment securities, and a decrease of ¥3,096 million in *notes and accounts receivable-trade*.

Noncurrent assets were ¥42,713 million, a decrease of 3.9% since March 31, 2019. The decrease was due primarily to a decrease of ¥1,527 million in investment securities.

As a result, **Total assets** were ¥111,046 million as of September 30, 2019, a decrease of 1.4% since March 31, 2019.

Liabilities

Current liabilities were ¥27,899 million, a decrease of 13.3% since March 31, 2019. The decrease was due primarily to a decrease of ¥1,417 million in notes and accounts payable- trade and a decrease of ¥1,464 million in *current portion of bonds with subscription rights to shares* respectively.

Noncurrent liabilities were ¥15,307million, a decrease of 3.9% since March 31, 2018. The decrease was due primarily to a decrease of ¥412 million in *provision for director's retirement benefits*.

As a result, **Total liabilities** were ¥43,207 million as of September 30, 2019, a decrease of 10.2% since March 31, 2019.

Net assets

Net assets were ¥67,839 million as of September 30, 2019, an increase of 5.1% since March 31, 2019.

(3) Cash Flows

As of September 30, 2019, cash and cash equivalents were ¥27,316 million, an increase of ¥2,940 million since March 31, 2019.

Cash flows from operating activities

Net cash provided by operating activities totaled ¥5,463 million, due primarily to ¥4,655 million in *income before income taxes*, ¥1,761 million in *depreciation*, and a decrease of ¥2,141 million in *income tax paid*.

Cash flows from investing activities

Net cash used in investing activities totaled ¥1,592 million, due primarily to purchase of ¥1,821 million for purchase of *property, plant, and equipment*.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥871 million, due primarily to payment of ¥808 million in cash dividend.

(4) Annual Earnings Forecasts

There are no revisions to the earnings forecast from the previous forecast announced in the "Consolidated financial results for the year ended March 31, 2020" dated on May 10, 2019.

5. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Millions of yen)

	March 31, 2019	September 30, 2019
	<u> </u>	<u> </u>
Assets		
Current assets		
Cash and deposits	11,876	14,516
Notes and accounts receivable-trade	29,268	26,171
Electrically recorded monetary claims	3,508	3,246
Short term investment securities	12,499	12,799
Merchandise and finished goods	7,050	7,420
Work in process	1,643	1,938
Raw materials and supplies	1,827	1,756
Other current assets	685	622
Less: Allowance for doubtful accounts	(140)	(140)
Total current assets	<u>68,219</u>	<u>68,333</u>
Noncurrent assets		
Property, plant, and equipment		
Property, plant, and equipment – Net	10,442	9,758
Other – Net	11,520	12,263
Total property, plant and equipment	<u>21,962</u>	<u>22,022</u>
Intangible assets		
Goodwill	864	772
Other	474	428
Total intangible assets	<u>1,338</u>	<u>1,201</u>
Investments and other assets		
Investment securities	19,642	18,115
Deferred tax assets	442	382
Other	1,062	997
Less: Allowance for doubtful accounts	(6)	(6)
Total investment and other assets	<u>21,141</u>	<u>19,489</u>
Total noncurrent assets	<u>44,442</u>	<u>42,713</u>
Total assets	<u>112,661</u>	<u>111,046</u>

CONSOLIDATED BALANCE SHEETS *(Continued)*
(Millions of yen)

	March 31, 2019	September 30, 2019
Liabilities		
<i>Current liabilities</i>		
Notes and accounts payable- trade	15,586	14,168
Short term loans payable	7,767	7,767
Income taxes payable	2,280	1,418
Provision for bonuses	889	899
Current portion of bonds with subscription rights to shares	1,464	-
Other current liabilities	4,211	3,645
Total current liabilities	<u>32,197</u>	<u>27,899</u>
<i>Noncurrent liabilities</i>		
Bonds with subscription rights to shares	10,000	10,000
Deferred tax liability	1,094	966
Provision for directors retirement benefits	651	239
Net defined benefit liability	3,009	2,981
Other noncurrent liabilities	1,160	1,120
Total noncurrent liabilities	<u>15,915</u>	<u>15,307</u>
Total liabilities	<u>48,113</u>	<u>43,207</u>
Net assets		
<i>Shareholders' equity</i>		
Capital stock	15,150	15,870
Capital surplus	13,667	14,387
Retained earnings	36,942	39,325
Treasury stock	(6,679)	(6,681)
Total shareholders' equity	<u>59,080</u>	<u>62,902</u>
<i>Accumulated other comprehensive income</i>		
Unrealized gain on available-for-sale securities	5,781	5,230
Deferred gains or losses on hedges	1	20
Foreign currency translation adjustments	11	(3)
Re-measurements of defined benefit plans	(327)	(309)
Total accumulated other comprehensive income	<u>5,467</u>	<u>4,936</u>
Total net assets	<u>64,548</u>	<u>67,839</u>
Total net assets and liabilities	<u>112,661</u>	<u>111,046</u>

CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2018	September 30, 2019
Net sales	52,674	53,026
Cost of sales	41,644	41,583
Gross profit	11,029	11,443
Selling, general, and administrative expenses	6,713	6,490
Operating income	4,316	4,952
<i>Non-operating income</i>		
Interest income	7	2
Dividend income	244	258
Share of profit of entities accounted for using equity method	18	20
Foreign exchange gain	359	-
Other	52	120
Total non-operating income	683	402
<i>Non-operating expenses</i>		
Interest expenses	54	48
Foreign exchange loss	-	95
Other	37	21
Total non-operating expenses	92	164
Ordinary income	4,907	5,190
<i>Extraordinary income</i>		
Gain on sales of noncurrent assets	137	0
Gain on sales of investment securities	-	178
Total extraordinary income	137	179
<i>Extraordinary loss</i>		
Loss on retirement of noncurrent assets	209	83
Loss on valuation of investment securities	-	375
Loss on valuation of shares of subsidiaries	-	251
Other	-	3
Total extraordinary loss	209	713
Income before income taxes	4,835	4,655
Income taxes - current	1,670	1,302
Income taxes - deferred	(190)	162
Total income taxes	1,479	1,464
Net income	3,355	3,191
Net income attributable to non-controlling interests	-	-
Net income attributable to owners of parent	3,355	3,191

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Millions of yen)

	Six Months Ended	
	September 30, 2018	September 30, 2019
Net income	3,355	3,355
Other comprehensive income		
Unrealized gain on available-for-sale securities	673	(551)
Deferred gains or losses on hedges	68	18
Foreign currency translation adjustments	(24)	(15)
Re-measurements of defined benefit plans	16	17
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total	734	(530)
Comprehensive income	4,089	2,660
Comprehensive income attributable to:		
Owners of parent	4,089	2,660
Minority interests	—	—

CONSOLIDATED STATEMENTS OF CHASH FLOWS

(Millions of yen)

	Six Months Ended	
	September 30, 2018	September 30, 2019
Cash flows from operating activities		
Income (loss) before income taxes	4,835	4,655
Depreciation	1,778	1,761
Amortization of goodwill	85	91
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in provision for bonuses	63	10
Increase (decrease) in provision for directors' retirement benefits	(2)	(412)
Increase (decrease) in allowance for retirement benefits for employees	(35)	(28)
Interest and dividend income	(252)	(261)
Interest expenses	54	48
Foreign exchange losses (gains)	(217)	43
Loss on retirement of non-current assets	209	83
Loss (gain) on sales of non-current assets	(137)	2
Loss (gain) on sales of short-term and long-term investment securities	—	(178)
Decrease (increase) in notes and accounts receivable-trade	(971)	3,328
Decrease (increase) in inventories	(918)	(595)
Increase (decrease) in notes and accounts payable-trade	1,190	(1,387)
Loss (gain) on valuation of short-term and long term investment securities	-	375
Loss on valuation of shares of subsidiaries and associates	-	251
Share of loss (profit) of entities accounted for using equity method	(18)	(20)
Other, net	105	(382)
Subtotal	5,768	7,385
Interest and dividend income received	270	273
Interest expenses paid	(55)	(54)
Income taxes paid	(1,326)	(2,141)
Net cash provided by (used in) operating activities	4,657	5,463

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(Millions of yen)

	<u>Six Months Ended</u>	
	September 30, 2018	September 30, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,465)	(1,821)
Proceeds from sales of property, plant and equipment	140	17
Purchase of intangible assets	(16)	(3)
Purchase of investment securities	(9)	(10)
		299
Other, net	(169)	(73)
Net cash provided by (used in) investing activities	<u>(2,521)</u>	<u>(1,592)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,113)	-
Repayments of long-term loans payable	(800)	-
Redemption of bonds	-	(23)
Purchase of treasury shares	(1,659)	(2)
Cash dividends paid	(677)	(808)
Other, net	(30)	(38)
Net cash provided by (used in) financing activities	<u>(4,280)</u>	<u>(871)</u>
Effect of exchange rate change on cash and cash equivalents	185	(59)
Net increase (decrease) in cash and cash equivalents	<u>(1,959)</u>	<u>2,940</u>
Cash and cash equivalents	<u>23,993</u>	<u>24,376</u>
Cash and cash equivalents	<u>22,034</u>	<u>27,316</u>

6. Notes to the Consolidated Financial Statements

(1) Notes regarding the going concern assumption: None

(2) Notes on significant changes in shareholders' equity: None

(3) Segment information

Six months ended September 30, 2018

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments*1	Consolidated operating income *2
Net sales						
External sales	24,314	21,092	7,267	52,674	—	52,674
Intersegment sales or reclassifications	6	31	257	296	(296)	—
Total	24,321	21,123	7,525	52,971	(296)	52,674
Segment income	2,450	2,390	81	4,921	(605)	4,316

Notes 1: Adjustments of segment income of ¥(605) million are corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.

Notes 2: Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.

Six months ended September 30, 2019

(Millions of yen)

	Basic Chemical Products	Functional Chemical Products	Housing Facilities and Others	Total	Adjustments *1	Consolidated operating income *2
Net sales						
External sales	24,643	20,610	7,772	53,026	—	53,026
Intersegment sales or reclassifications	12	33	401	446	(446)	—
Total	24,656	20,643	8,173	53,473	(446)	53,026
Segment income	2,621	2,702	215	5,539	(586)	4,952

Notes 1: Adjustments of segment income of ¥(586) million are corporate expenses not allocated to reportable segments. Corporate expenses are mainly expenses not attributable to a reporting segment and related to fundamental research and development as well as administrative departments.

Notes 2: Segment income has been adjusted for the operating income appearing in the quarterly consolidated statements of income.